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September 26, 1996

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EX PARTE

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

SEP 26 1996  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: In the Matter of Federal-State Joint Board on Universal  
Service, CC Docket No. 96-45

Dear Mr. Caton:

In accordance with the Commission's rules regarding ex parte presentations, please be advised that today, John Schrotenboer and Glen Sims, representing Southwestern Bell Telephone Company (SWBT), met with Commissioner Sharon Nelson and Lee Palagyi of the Washington Utilities and Transportation Commission. The purpose of the meeting was to discuss SWBT's stated positions in the above-referenced rule making docket.

Written materials, which were used during the presentation, are attached to this letter for inclusion into the official record in this docket. Pursuant to Section 1.1206(a)(1) of the Commission's rules, 47 C.F.R. Sec. 1.1206(a)(1), two copies of this letter and the supporting materials are provided for your use.

Due to the late hour at which the meeting concluded, we are filing this notification with you today. Should you have any questions concerning the foregoing, do not hesitate to contact me.

Sincerely,

Attachment

cc: The Honorable Sharon Nelson (w/o attachment)  
Ms. Lee Palagyi (w/o attachment)  
Ms. Kathleen B. Levitz (w/ attachment)  
Mr. John Stroman Morabito (w/ attachment)  
Ms. Anna M. Gomez (w/ attachment)

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**SOUTHWESTERN BELL TELEPHONE COMPANY**

**COMPREHENSIVE  
FEDERAL AND STATE  
UNIVERSAL SERVICE PLAN**

Washington Presentation  
Olympia  
September 25, 1996



## **INDEX**

**TAB 1    Definition of Universal Service.**

**TAB 2    Why are we concerned?**

- The current basis of Universal Service support.
- Carrier of last resort obligations remain.
- Without change, further competitive entry risks ability to maintain Universal Service.

**TAB 3    Proxy cost quantification alternatives are inappropriate and unnecessary.**

**TAB 4    SWBT's Comprehensive Federal/State Plan.**

- Jurisdictional responsibility.
- Eligibility and qualification criteria.
- Universal Service area.
- Federal plan.
- Intrastate plans.

**TAB 5    Other Issues.**

- Competitive bidding is inappropriate and harmful.



## **UNIVERSAL SERVICE DEFINITION**

Widely available basic telephone service at reasonable rates. This obligation requires the deployment of a telecommunications network for use by the general public to accomplish two-way switched voice communication within and beyond a local calling area. This universal service connectivity is provided by loop, switch and interoffice facilities and meets provider of last resort requirements. Basic services provided are:

- Voice grade access to the public switched network with the ability to place and receive calls (includes loop, local switching and local interoffice transport).
- Touch-tone.
- Single-party residential and business local service.
- Access to emergency services (911/E911).
- Access to basic operator services.
- Standard white page directory listing.
- Access to basic local directory assistance.



## **FACILITIES WHICH CONNECT CUSTOMERS ARE THE BACKBONE OF UNIVERSAL SERVICE**

1. The cost of the universally available network varies substantially geographically.
2. The sources of revenue to recover the network cost are:
  - Local exchange.
  - Support from toll, access and other services.
3. Carrier of last resort obligations remain with the incumbent LEC:
  - For existing customers.
  - Significant additional competition is not expected to be facilities-based, but through resale of service or unbundled facilities. The incumbent LEC still provides carrier of last resort facilities.
4. Without changes, further competitive entry, primarily in urban markets, will destroy the basis of support and put at risk the ability to maintain Universal Service.
  - New local entry is targeted primarily at urban areas.
  - FCC Interconnection Order effectively eliminates the ability to support the local exchange network with usage-based access revenues.



# **SUMMARY OF ESTIMATED ACTUAL SUPPORT WHICH MAY BE LOST DUE TO FURTHER COMPETITION AND THE FCC INTERCONNECTION ORDER**

## **Washington**

	<b><u>Total</u></b>	<b><u>Interstate</u></b>	<b><u>State</u></b>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$375M	Not Analyzed	
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.		Not Analyzed	
3. Amounts within average access rates to support reasonable rate levels in high cost areas.		Not Analyzed	
4. Support within local services			
- Business to Residence		Not Analyzed	
- Vertical Svcs to Basic Svcs		Not Analyzed	

## Washington

Study Area Code	Type Company	Study Area Name	Common Control Name	USF Loops (a)	Estimated ***				
					Total Regulated Costs (b)	Local Exchange Costs (c)	Local Costs Per Lp/Mo (d=c/a/12)	Local Revenues ** Per Lp/Mo (e)	Support Per Lp/Mo (f=d-e)
522404	C	ASOTIN (WA)	TDS	1,033	1,052,618	804,393	64.89	44.86	20.03
522449	C	Cortel Washington	GTE	69,509	63,341,885	45,317,023	54.33	37.32	17.01
522410	C	COWICHE		1,738	1,498,467	1,039,571	49.85	28.06	21.79
522412	C	Ellensburg Telephone Company	Ellensburg Telephone Comp	17,909	10,977,174	7,598,178	35.36	19.18	16.17
522416	C	GTE Washington	GTE	573,211	421,431,596	313,320,806	45.55	34.10	11.45
522417	C	HAT ISLAND TELEPHONE COMPANY		*					
522419	C	Hood Canal Telephone Co.	RJB Telecommunications Co	892	1,195,815	695,553	64.98	30.31	34.67
522423	C	INLAND	Western Elite Incorporated S	1,958	2,693,405	2,067,642	88.00	49.40	38.60
522426	C	KALAMA	Scatter Creek, Ltd.	*					
522427	C	LEWIS RIVER TELEPHONE COMPANY INC.		3,516	3,445,246	2,867,674	67.97	36.74	31.23
522431	C	Mashell Telephone	Mashell, Inc.	2,485	2,588,163	1,685,127	56.51	31.61	24.90
522430	A	MCDANIEL TELEPHONE COMPANY		*					
522437	C	PIONEER	Pioneer Telephone Holding	795	1,112,617	949,844	99.56	35.62	63.94
525161	C	PNB - Washington	U S WEST	2,080,641	1,262,411,913	894,554,330	35.83	26.56	9.27
522442	C	ST. JOHN		573	678,360	511,435	74.38	42.63	31.74
522446	C	TENINO	Scatter Creek, Ltd.	2,633	2,368,707	1,647,546	52.14	23.24	28.90
522447	C	Toledo Telephone Co.		1,594	1,673,690	995,788	52.06	26.75	25.31
522408	C	TU of Washington	Pacific Telecom	112,102	84,899,569	63,012,683	46.84	28.45	18.39
522400	C	United Tel. Co. of the Northwest-Washington	Sprint Corp.	64,271	43,116,778	31,611,875	40.99	24.86	16.13
522451	C	Western Wahkiakum County Telephone Company		918	1,688,516	1,456,833	132.25	72.49	59.76
522452	C	WHIDBEY TEL. CO.		*					
522453	C	Yelm Telephone	Comerco, Inc.	8,391	5,373,286	4,249,654	42.20	16.63	25.57
Total				2,944,169	\$1,911,547,805	\$1,374,385,955	\$38.90	\$28.30	\$10.60

\* Insufficient Information.

\*\* Includes Federal USF support.

\*\*\* Based on the following 1993 data sources: USF data, Joint Board Data Request, ARMIS data, Monitoring Report for Traffic Data (DEM), and REA Financial Data.

**ESTIMATED ACTUAL PACIFIC NORTHWEST BELL  
WASHINGTON COSTS DISTRIBUTED TO  
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLJ	Proxy - BCM2 per Line, per Mo.	TOTAL PACIFIC NORTHWEST BELL Washington ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
ABRDWA01S	\$28.14	\$35.84	\$8,391,284
AUBNWA01H	\$26.64	\$33.94	\$14,119,479
BCKLWA01S	\$40.42	\$51.49	\$2,803,424
BDMDWA01R	\$43.23	\$55.07	\$4,782,607
BLFRWA01S	\$48.58	\$61.89	\$3,393,874
BLHMWA01H	\$25.67	\$32.69	\$18,702,987
BLHMWALUR	\$56.82	\$72.37	\$897,764
BLLVWAGLH	\$18.36	\$23.38	\$6,721,432
BLLVWAGLR	\$19.17	\$24.42	\$6,464,657
BLLVWASHR	\$24.30	\$30.95	\$19,509,963
BMTNWA01H	\$24.90	\$31.71	\$11,702,489
BNISWA01S	\$29.34	\$37.38	\$4,063,202
BTLGWA01S	\$39.22	\$49.96	\$4,954,294
CENLWA01S	\$29.33	\$37.36	\$6,060,091
CHHLWA01H	\$29.70	\$37.83	\$2,954,038
CLDMWA01S	\$40.97	\$52.18	\$1,402,480
CLELWA01S	\$47.68	\$60.74	\$2,443,566
CLFXWA01S	\$46.93	\$59.78	\$2,135,386
CLVLWA01S	\$44.12	\$56.20	\$3,881,041
COLBWA01S	\$33.55	\$42.74	\$4,123,620
CRMTWA01S	\$141.88	\$180.74	\$533,950
CRSBWA01S	\$53.99	\$68.77	\$2,121,485
CSRKWA01S	\$46.13	\$58.76	\$3,247,259
DESMWA01S	\$23.45	\$29.87	\$8,588,064
DRPKWA01S	\$48.21	\$61.42	\$3,609,645
DYTNWA01S	\$51.71	\$65.87	\$1,769,807
ELK WA01S	\$64.14	\$81.71	\$2,556,255
ENMCWA01R	\$37.09	\$47.25	\$4,227,498
EPHRWA01S	\$43.91	\$55.94	\$3,194,584
ESTNWA01S	\$176.13	\$224.36	\$272,409
FDWYWA01S	\$26.09	\$33.23	\$11,270,465
GRBLWA01S	\$48.61	\$61.92	\$2,278,199
GRHMWAGRS	\$32.31	\$41.15	\$10,742,832
HDPTWA01R	\$152.03	\$193.66	\$969,412
ISQHWAEXS	\$27.61	\$35.17	\$7,555,356
JOYCWA01S	\$72.08	\$91.82	\$1,306,892
KENTWA01S	\$21.95	\$27.96	\$12,804,426
KENTWAMES	\$29.47	\$37.54	\$10,512,000
KENTWA OBS	\$20.88	\$26.60	\$10,259,436
LACYWA01S	\$28.84	\$36.74	\$15,506,142
LBLKWA01S	\$39.02	\$49.70	\$2,870,094

**ESTIMATED ACTUAL PACIFIC NORTHWEST BELL  
WASHINGTON COSTS DISTRIBUTED TO  
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLJ	Proxy - BCM2 per Line, per Mo.	TOTAL PACIFIC NORTHWEST BELL Washington ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
LGVWWA02R	\$25.56	\$32.56	\$16,994,548
LNLKWA01S	\$71.91	\$91.60	\$1,293,741
MPVYWAMVS	\$34.02	\$43.33	\$6,973,152
MRISWA01S	\$25.30	\$32.22	\$6,274,229
MSLKWA01S	\$27.61	\$35.17	\$5,186,273
MSLKWAABS	\$43.46	\$55.36	\$2,150,383
NPRTWA01S	\$89.82	\$114.41	\$1,213,330
NPVNWA01S	\$49.13	\$62.58	\$2,336,000
NWLKWA01S	\$38.75	\$49.36	\$2,881,762
OCSHWA01S	\$65.76	\$83.77	\$814,647
OLYMWA02H	\$25.32	\$32.26	\$15,891,030
OLYMWAEVR	\$36.74	\$46.80	\$4,224,683
OMAKWA01S	\$48.29	\$61.51	\$5,016,842
ORCHWA01S	\$28.04	\$35.71	\$22,243,159
ORVLWA01S	\$66.18	\$84.31	\$2,542,993
OTHEWA01S	\$38.04	\$48.46	\$3,236,982
PASCWA01S	\$27.40	\$34.91	\$6,174,072
PMRYWA01S	\$66.14	\$84.25	\$1,448,237
PTANWA01S	\$29.40	\$37.46	\$7,883,260
PTLWWA01S	\$69.69	\$88.77	\$1,766,547
PTORWAFES	\$27.88	\$35.51	\$4,956,428
PTRSWA01S	\$95.51	\$121.67	\$1,276,561
PTTWWA01S	\$30.86	\$39.31	\$3,388,740
PYLPWA01R	\$26.46	\$33.70	\$12,516,356
RDFDWA01S	\$43.48	\$55.38	\$1,774,737
RNTNWA01R	\$26.01	\$33.13	\$30,668,035
ROCHWA01S	\$48.92	\$62.32	\$4,114,455
ROY WA01S	\$56.01	\$71.34	\$842,579
SEQMWA01H	\$34.04	\$43.36	\$5,242,955
SHTNWA01H	\$35.32	\$45.00	\$5,463,713
SLDLWASIH	\$27.58	\$35.13	\$7,459,242
SMNRWA01H	\$29.43	\$37.49	\$8,163,358
SNYSWA01R	\$38.51	\$49.06	\$2,789,597
SPDLWA01S	\$85.99	\$109.53	\$1,729,382
SPKNWA01H	\$19.59	\$24.96	\$10,703,711
SPKNWACHR	\$37.05	\$47.20	\$3,750,101
SPKNWAFAH	\$25.07	\$31.93	\$10,897,124
SPKNWAHDR	\$24.54	\$31.27	\$11,579,137
SPKNWAKYR	\$23.01	\$29.31	\$7,196,560
SPKNWAMOR	\$31.26	\$39.82	\$6,182,983
SPKNWAWAR	\$26.40	\$33.62	\$19,850,480
SPKNWAWHS	\$27.85	\$35.47	\$12,758,525

**ESTIMATED ACTUAL PACIFIC NORTHWEST BELL  
WASHINGTON COSTS DISTRIBUTED TO  
WIRE CENTERS USING BCM2 PROXY COSTS**

CLLI	Proxy - BCM2 per Line, per Mo.	TOTAL PACIFIC NORTHWEST BELL Washington ACTUAL COSTS DISTRIBUTED TO WIRE CENTERS *	
		per Line, per Month	TOTAL COST by Wire Center
STTLWA03R	\$19.47	\$24.80	\$16,901,152
STTLWA04R	\$24.85	\$31.65	\$20,318,201
STTLWA05R	\$21.88	\$27.87	\$16,555,119
STTLWA06H	\$15.49	\$19.73	\$18,006,643
STTLWACAS	\$19.64	\$25.02	\$11,883,578
STTLWACHR	\$24.83	\$31.62	\$19,423,059
STTLWADUR	\$22.82	\$29.07	\$14,139,726
STTLWAEIH	\$15.06	\$19.18	\$6,052,403
STTLWALAS	\$24.61	\$31.35	\$16,861,813
STTLWAPAS	\$22.04	\$28.08	\$14,573,318
STTLWASUS	\$23.79	\$30.30	\$19,681,514
STTLWAWER	\$24.69	\$31.45	\$14,644,528
TACMWAFAR	\$19.61	\$24.97	\$12,668,632
TACMWAFLS	\$41.12	\$52.38	\$4,573,054
TACMWAGFH	\$24.12	\$30.72	\$16,297,124
TACMWAJUS	\$26.59	\$33.87	\$16,072,355
TACMWALER	\$27.02	\$34.41	\$6,665,123
TACMWALLES	\$28.19	\$35.91	\$8,666,750
TACMWALOS	\$25.07	\$31.93	\$10,998,488
TACMWASYS	\$24.16	\$30.78	\$9,208,392
TACMWAUAS	\$26.10	\$33.24	\$6,000,396
TACMWAUWH	\$25.40	\$32.36	\$13,161,557
VANCWA01H	\$24.06	\$30.64	\$14,855,842
VANCWANOS	\$28.53	\$36.34	\$9,859,613
WLWLWA01H	\$28.27	\$36.01	\$11,749,641
WNLCWA01S	\$46.61	\$59.38	\$735,942
WRDNWA01S	\$67.11	\$85.49	\$1,054,887
WTBGWA01S	\$56.70	\$72.23	\$479,817
YAKMWA02S	\$25.06	\$31.92	\$18,457,276
YAKMWAWES	\$31.11	\$39.63	\$8,454,072
AVERAGE	\$26.16	\$33.33	\$894,554,330

Ratio - Actual to BCM2 Costs

127%

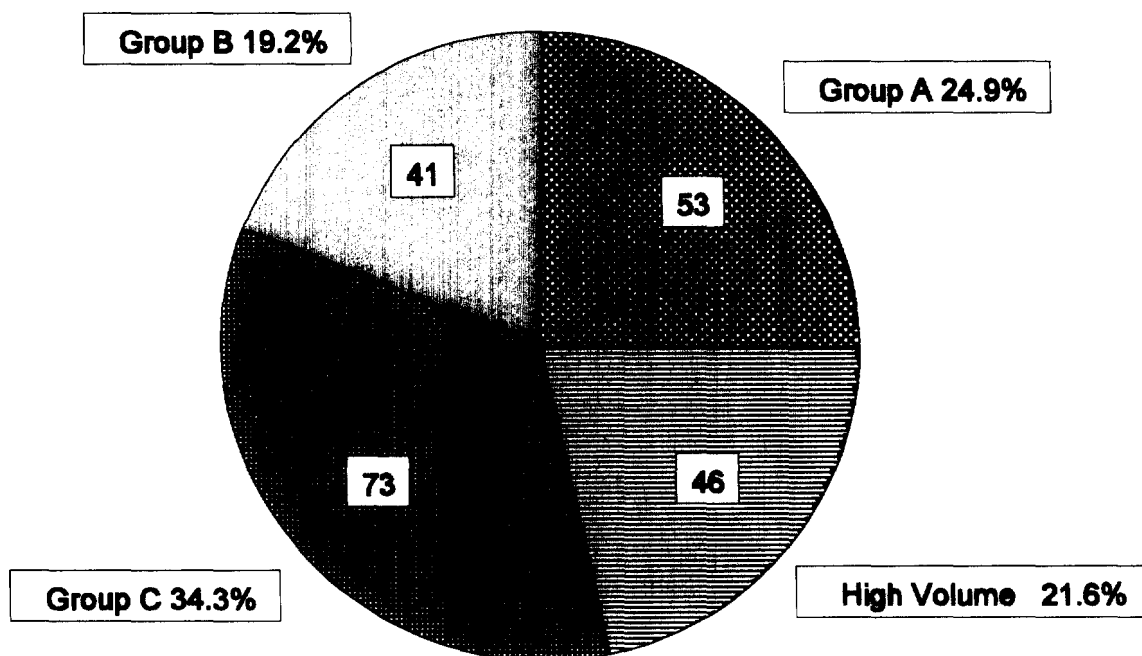
\* Proxy cost times ratio of Average Actual to Average BCM2

# **SUMMARY OF ESTIMATED ACTUAL SUPPORT WHICH MAY BE LOST DUE TO FURTHER COMPETITION AND THE FCC INTERCONNECTION ORDER**

	<u>Nationwide</u>			<u>Southwestern Bell</u>		
	<u>Total</u>	<u>Interstate</u>	<u>State</u>	<u>Total</u>	<u>Interstate</u>	<u>State</u>
1. Support from other (primarily toll and access) services to maintain reasonable local rates.	\$18.1B	Not Analyzed		\$1,536M	\$315M	\$1,221M
2. Amounts within average toll rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$143M	\$0	\$143M
3. Amounts within average access rates to support reasonable rate levels in high cost areas.		Not Analyzed		\$345M	\$215M	\$130M
4. Support within local services		Not Analyzed			Not Analyzed	
- Business to Residence		Not Analyzed				
- Vertical Svcs to Basic Svcs		Not Analyzed		\$914M	\$0	\$914M

## SWBT - Missouri Service Areas

213 End Office Wire Centers

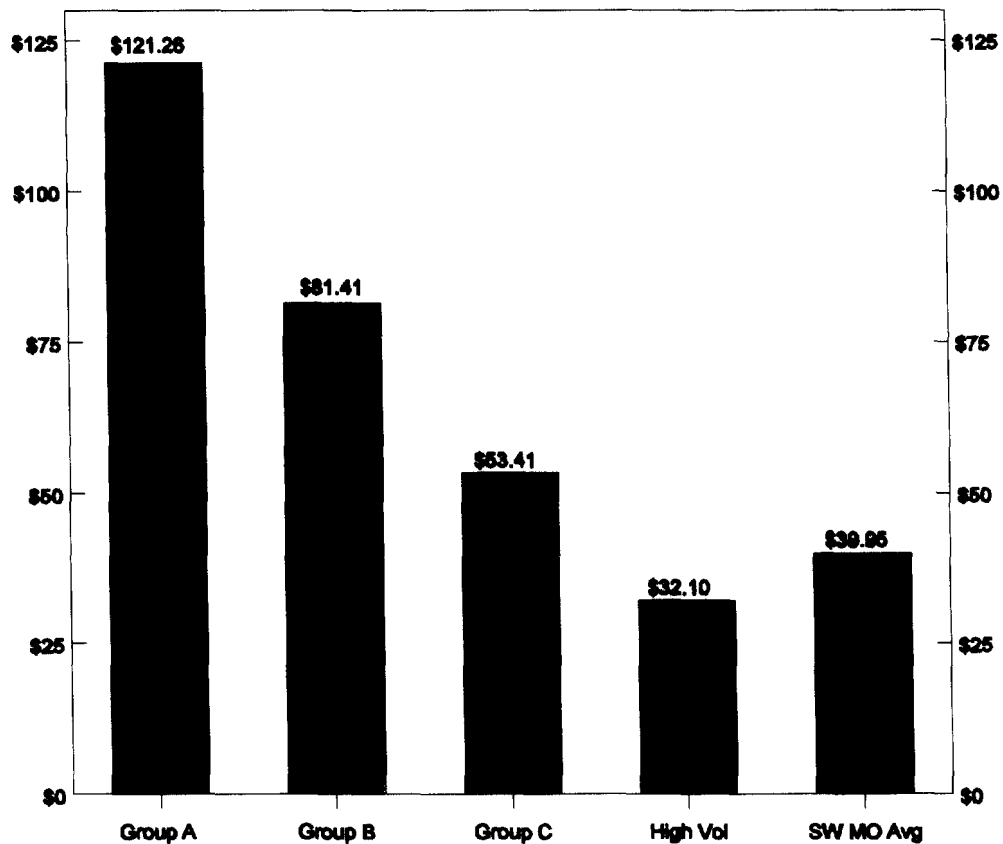


Low Volume - Group A - Under 1,000 Lines  
- Group B - Under 2,500, Over 1,000 Lines  
- Group C - Over 2,500 Lines  
High Volume (HV) - Over 50M Toll and Access MOU

The majority of areas (wire centers) that SWBT serves are low volume, primarily mid-size and small towns and rural areas.

# SWBT - Missouri

## Geographic Costs To Provide Local Exchange Network



### WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

NOTE: An updated 1995 Study Area Cost Study average cost per access line is \$38.76.

1993 Wire Center Study Data



## **GEOGRAPHIC COSTS TO PROVIDE LOCAL EXCHANGE NETWORK**

- Actual costs to serve vary substantially by geographic area.
- It is more costly to serve low density (largely rural) areas than high density, high volume (largely metro) areas.
- A substantial share of total local exchange costs (\$989M) are devoted to providing service in non-urban areas (\$415M, or 42%).
- Carrier of Last Resort obligations, in particular maintaining capacity needed to serve any reasonable service request have contributed substantially to network costs.
- Highest usage volumes are concentrated in metro areas - 73% in high volume areas.

## **SWBT ACTUAL COSTS ARE REASONABLE**

- SWBT has efficiently deployed investments to provide quality service to both urban and rural customers over many years.
- SWBT's deployment of infrastructure is devoted to upgrading the basic network for residence and business customers.
- The following assertions are wrong and without basis in fact:
  - (a) SWBT has systematically over-invested.
  - (b) SWBT has made poor historical investment decisions.
  - (c) SWBT is deploying its new plant for competitive services, interLATA or video services.
  - (d) SWBT's expenses and investments are overstated due to inefficiencies.
- AT&T and others often make these incorrect assertions, without facts, to support why their proxy models, such as TSLRIC, have investment and expense levels that are approximately 45% less than actual costs.

**LOCAL EXCHANGE NETWORK ARE REASONABLE**  
**SWBT - Missouri**  
**1995**

	SWBT	SWBT COST %
1		
<b>Direct Facility Invest.</b>		
2 COE	1,099,034,095	
3 C&WF	1,623,530,880	
4 IOT	75,039,189	
5 Operator Systems	10,938,195	
6 <b>TOTAL DIRECT FACILITY INVESTMENT</b>	<b>2,808,542,359</b>	
7 COE Reserves	414,319,730	
8 C&WF Reserves	691,113,305	
9 IOT Reserves	41,755,355	
10 Oper Sys Reserves	3,818,139	
11 COE Deferred Taxes	179,633,813	
12 C&WF Deferred Taxes	126,187,549	
13 IOT Deferred Taxes	9,255,719	
14 Oper Sys Deferred Taxes	1,708,367	
15 <b>TOTAL DIRECT FACILITY RESERVES</b>	<b>1,467,791,976</b>	
16 <b>Net Investment</b>	<b>1,340,750,383</b>	
17 <b>Direct Return and Tax</b>	<b>218,646,858</b>	<b>20.89%</b>
<b>Direct Facility Exp.</b>		
18 COE Maint.	51,501,660	
19 C&WF Maint.	100,644,722	
20 IOT Maint.	24,167,753	
21 OS Maint.	840,582	
22 COE Depreciation	96,900,455	
23 C&WF Depreciation	81,031,311	
24 IOT Depreciation	5,770,891	
25 OS Depreciation	776,697	
26 Network Operations	81,414,395	
27 Property Tax	55,609,139	
28 <b>Total Direct Expense</b>	<b>498,667,606</b>	<b>46.36%</b>
29 <b>Total Direct Cost</b>	<b>717,304,464</b>	<b>67.55%</b>
<b>Customer Service Related Expenses</b>		
30 Customer Service Exp. (1)	58,728,954	
31 Operator Services (1)	24,698,115	
32 <b>Total Customer Services Expenses</b>	<b>83,427,069</b>	<b>7.86%</b>
<b>Network and Service Support Investments</b>		
33 Gen. Sup. Fac. Inv.	857,523,913	
34 Oth. Investment	56,278,361	
35 Gen. Sup.-Def. Taxes	100,090,798	
36 GSF Reserves	255,234,136	
37 Other Reserves	5,938,786	
38 <b>Net Investment</b>	<b>552,538,555</b>	
39 <b>Support Investment Return and Tax</b>	<b>90,106,844</b>	<b>8.49%</b>
<b>Network and Service Support Expenses</b>		
40 Depreciation (GSF)	50,842,095	
41 Amortization	4,785,315	
42 GSF Expenses	(17,567,984)	
43 Other	3,091,945	
44 Other Taxes	11,816,425	
45 <b>Total Support Expenses</b>	<b>52,967,796</b>	<b>4.99%</b>
<b>Common Costs</b>		
46 Marketing	23,279,585	
47 Corporate	94,745,819	
48 <b>Total Common Costs</b>	<b>118,025,404</b>	<b>11.12%</b>
49 <b>Total Costs</b>	<b>1,061,831,677</b>	<b>100.00%</b>

## **REASONABLE RATES**

Irrespective of geographic local exchange cost differences, the current "reasonable" rates for all are supported to a large degree by either explicit support or support flows implicit in the current rate structure. This support:

- Maintains existing SWBT local rate levels - Low: \$7.55  
- High: \$12.50
- Maintains existing geographic (urban vs. rural) rates via statewide intraLATA toll and interLATA access rate averaging.

Major supports are composed of:

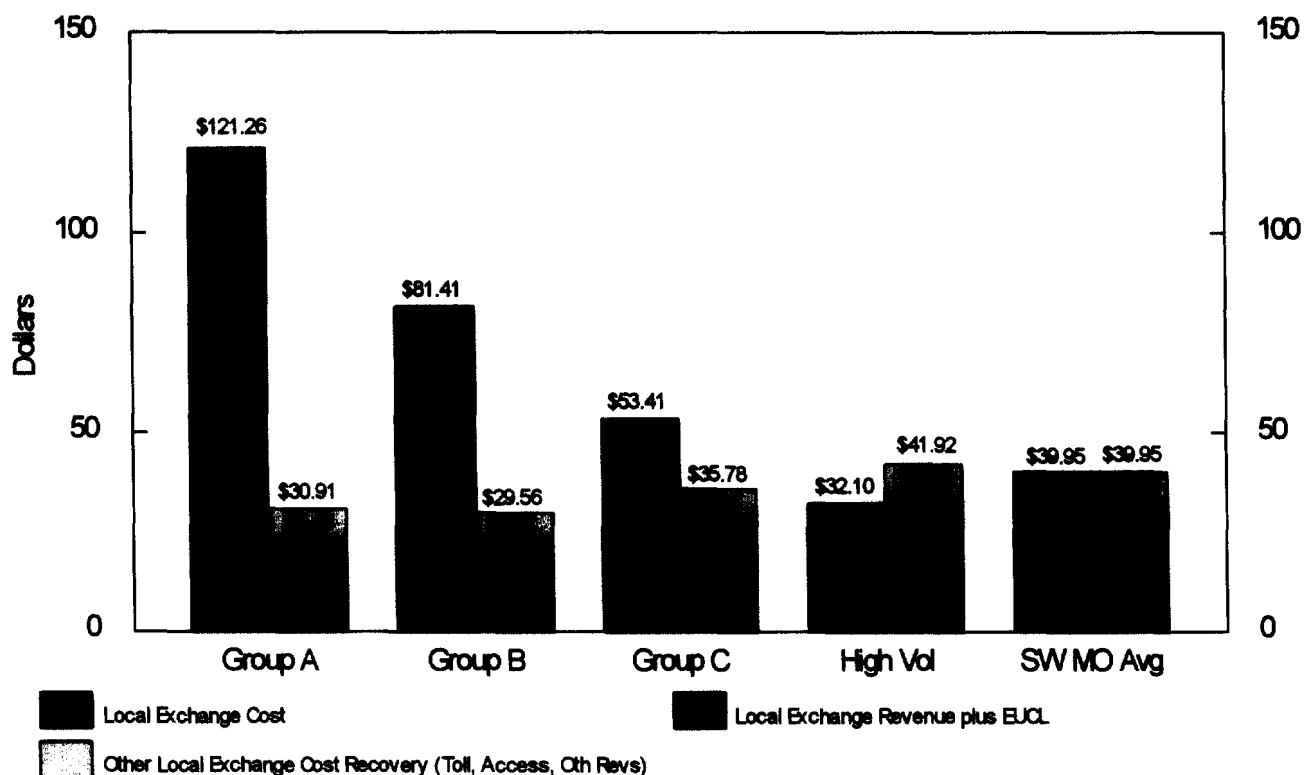
- (1) Implicit - Recovery of local costs from toll, access and other customers.

Missouri	Avg Rev / MOU	Avg Loc Exch Support
Toll	\$ 0.19	\$ 0.09
State Access	\$ 0.11	\$ 0.07

- (2) Explicit -
  - Federal USF
  - Interstate switch recovery
  - Interstate Long Term Support
  - State support funds
  - Lifeline/Linkup

# SWBT - Missouri

## Local Exchange Costs\* and Local Exchange Cost Recovery Per Line Per Month



\* Embedded Fully Distributed Cost Analysis

### WIRE CENTER GROUPS

	Low Volume			High Vol	Total/ Average
	Group A	Group B	Group C		
Number of Wire Centers	53	41	73	46	213
Households per sq mile	8	14	40	436	75
Toll/Access MOU	2%	3%	22%	73%	100%

Low Volume - Group A - Under 1,000 Lines  
 - Group B - Under 2,500, Over 1,000 Lines  
 - Group C - Over 2,500 Lines  
 High Volume (HV) - Over 50M Toll and Access MOU

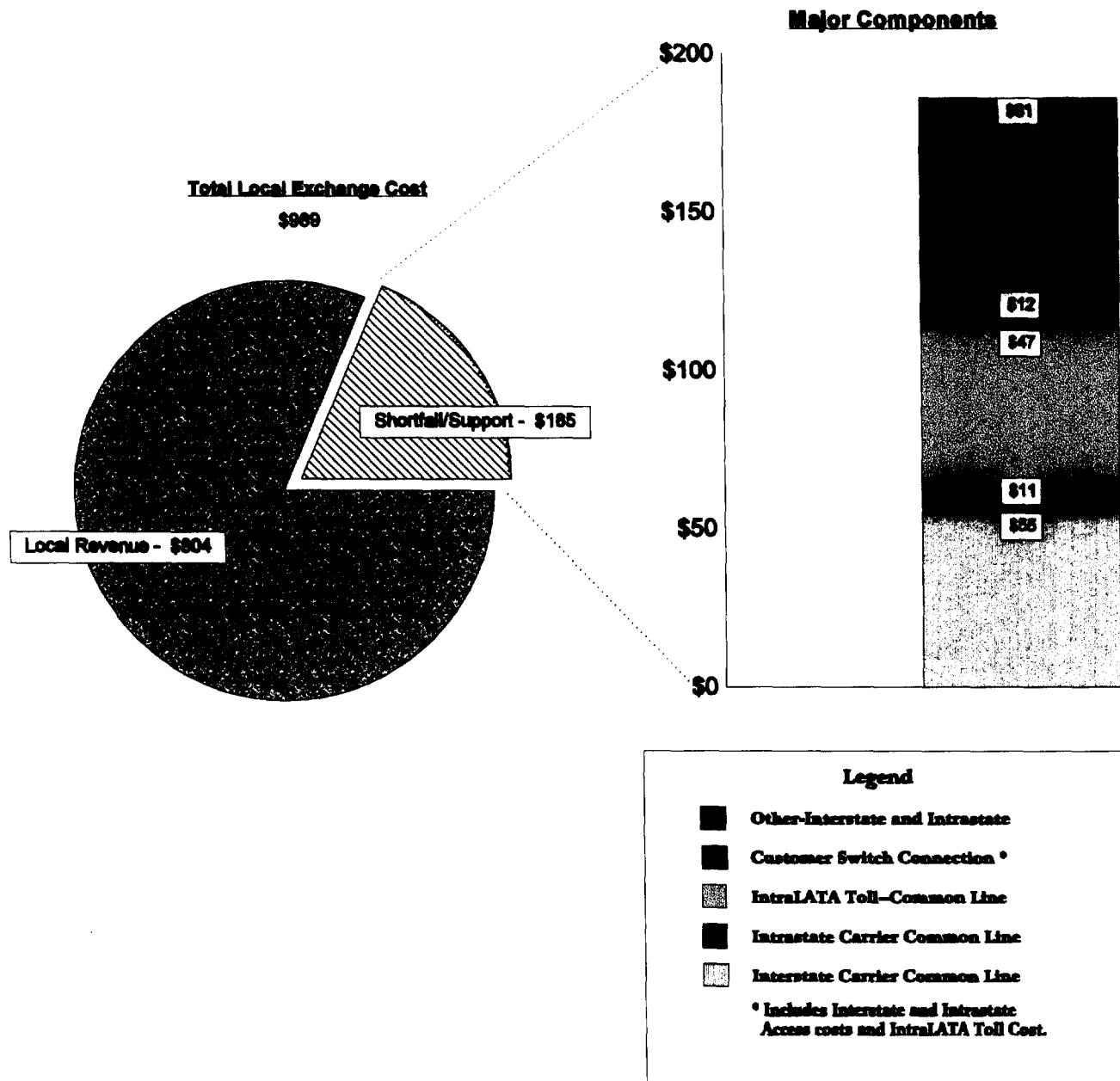
NOTE: An updated 1995 Study Area Cost Study shows Local Exchange cost as \$38.76.

1993 Wire Center Study Data

# SWBT - Missouri

## Analysis of Major Components of Support To Local Exchange Service

(\$ Millions)

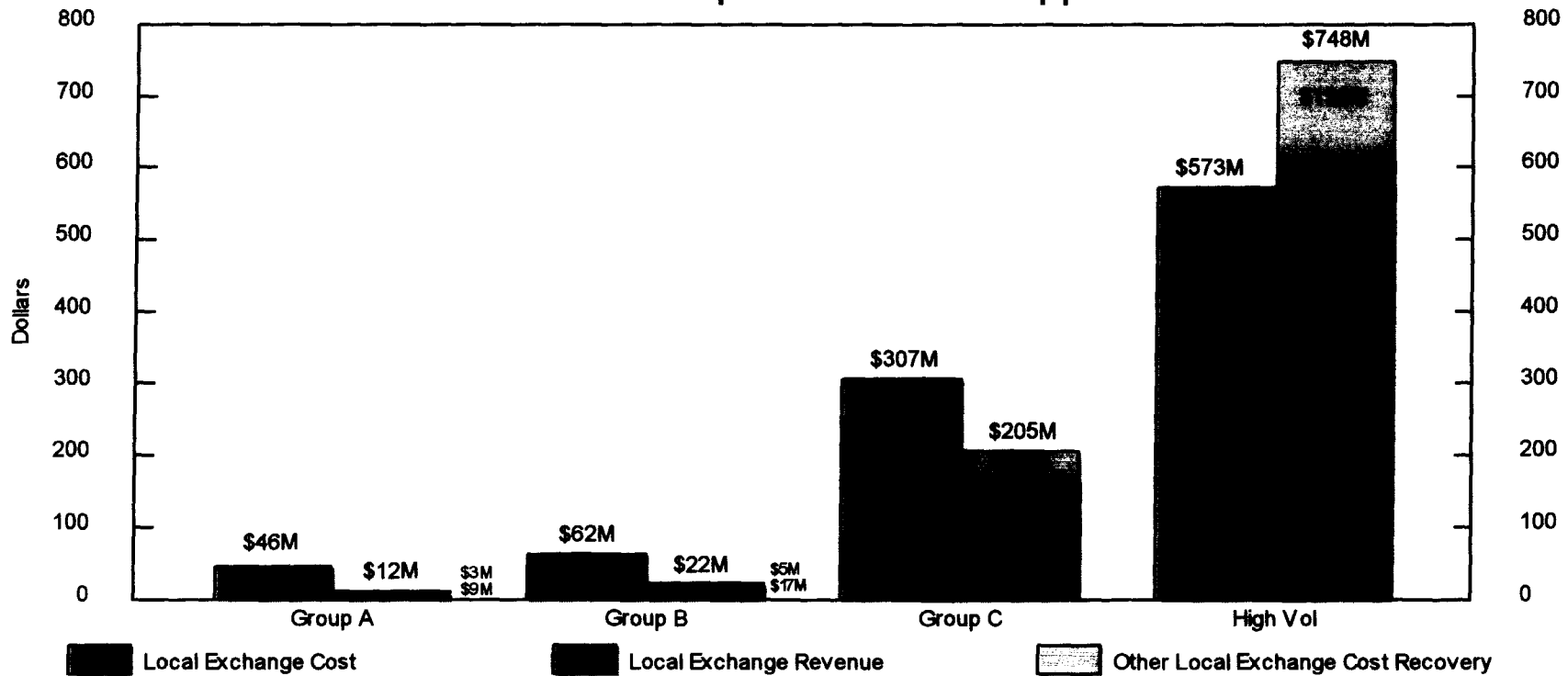


NOTE: An updated 1995 study indicates that this support is now \$205M

1993 Wire Center Study Data

# SWBT - Missouri

## Which Customer Groups Provide the Support to Local



### Analysis of Support Used and Generated to Recover Local Exchange Network Costs

	Support Generated		Support Used	Net Geographic Support
	Toll/Acc/Oth	Local		
High Volume	\$136M	\$40M	\$0	\$176
Group A-C	\$49M	\$0	\$225M	(\$176M)
Total	\$185M	\$40M	\$225M	\$0

1993 Wire Center Study Data

## **SUMMARY -** **MISSOURI LOCAL EXCHANGE SUPPORT**

- Total toll, access and other support to maintain existing local exchange rates in Missouri is \$185M.
- In addition, \$40M of support for SWBT's rural network in Missouri is provided by urban local exchange customers.
- Local exchange revenues are lower than local exchange costs in most areas of the state.
- In non-urban areas local exchange revenues plus support generated by toll and access customers in those areas does not recover local exchange costs - \$176M short.
- The \$176M shortfall is generated by toll, access and local customers in urban high volume areas.



# SWBT--MISSOURI

## SUMMARY OF SUPPORT AMOUNTS PER LINE

Exchange #	Switched Lines	Local Cost /Ln/Mo	Local Revenue /Ln/Mo	Local Support Req	IS CCL Rev/Ln/Mo	ST CCL Rev/Ln/Mo	Toll/Other Support	Support Generated	Net Support
	a	b	c	d = b - c	e	f	g	h = e + f + g	i = d + h
1	211	294.41	45.22	(249.19)	7.27	2.10	8.37	17.74	(231.45)
2	452	249.01	21.15	(227.86)	1.63	1.81	2.45	5.89	(221.96)
3	422	226.16	21.35	(204.82)	1.13	0.83	1.39	3.35	(201.47)
4	801	195.93	22.84	(173.09)	1.31	1.55	2.05	4.92	(168.17)
5	306	179.93	22.39	(157.54)	1.42	1.42	2.24	5.07	(152.47)
6	131	175.51	24.41	(151.10)	1.25	0.84	1.55	3.64	(147.46)
7	1,180	169.12	19.68	(149.43)	1.20	0.81	1.35	3.35	(146.08)
8	676	170.59	22.57	(148.03)	1.12	0.49	1.28	2.89	(145.13)
9	525	171.85	24.12	(147.73)	1.31	0.58	1.50	3.39	(144.33)
10	625	182.19	37.48	(144.70)	3.26	2.03	4.13	9.42	(135.29)
11	497	155.03	18.66	(136.37)	0.97	0.81	1.10	2.88	(133.49)
12	572	156.09	20.71	(135.38)	1.27	0.86	1.64	3.78	(131.60)
13	525	152.37	21.55	(130.83)	1.09	0.71	1.24	3.04	(127.78)
14	699	154.85	24.42	(130.44)	1.62	1.84	2.50	5.97	(124.47)
15	744	150.44	24.06	(126.38)	1.80	0.81	2.11	4.72	(121.66)
16	875	140.78	21.01	(119.77)	0.94	0.58	1.11	2.62	(117.14)
17	398	137.35	18.36	(118.99)	1.56	0.59	1.80	3.94	(115.04)
18	550	139.08	20.25	(118.83)	0.82	1.81	1.65	4.28	(114.55)
19	564	137.41	21.73	(115.68)	1.28	1.52	2.15	4.96	(110.72)
20	318	135.93	22.26	(113.68)	1.12	0.70	1.29	3.11	(110.57)
21	1,084	132.12	18.62	(113.49)	1.13	0.85	1.35	3.33	(110.16)
22	345	135.61	23.20	(112.40)	1.83	0.45	2.02	4.30	(108.11)
23	1,904	126.89	16.80	(110.08)	1.05	1.11	1.53	3.68	(106.40)
24	764	139.83	35.90	(103.93)	0.76	0.31	0.90	1.97	(101.96)
25	535	137.90	35.05	(102.85)	1.11	0.46	1.25	2.82	(100.02)
26	745	130.29	29.60	(100.69)	1.42	0.74	1.81	3.98	(96.71)
27	1,211	119.89	20.17	(99.73)	1.29	0.99	1.64	3.93	(95.80)